



HEALTH ANNUAL STATEMENT
FOR THE YEAR ENDING DECEMBER 31, 2010
OF THE CONDITION AND AFFAIRS OF THE

Priority Health

NAIC Group Code 3383, 3383 NAIC Company Code 95561 Employer's ID Number 38-2715520
Organized under the Laws of Michigan, State of Domicile or Port of Entry Michigan
Country of Domicile United States
Licensed as business type: Life, Accident & Health [], Property/Casualty [], Dental Service Corporation [], Vision Service Corporation [], Other [], Health Maintenance Organization [X], Hospital, Medical & Dental Service or Indemnity [], Is HMO, Federally Qualified? Yes [] No [X]
Incorporated/Organized 03/07/1986 Commenced Business 10/15/1986
Statutory Home Office 1231 East Beltline NE, Grand Rapids, MI 49525-4501
Main Administrative Office 1231 East Beltline NE, Grand Rapids, MI 49525-4501, 616-942-0954
Mail Address 1231 East Beltline NE, Grand Rapids, MI 49525-4501
Primary Location of Books and Records 1231 East Beltline NE, Grand Rapids, MI 49525-4501, 616-464-8926
Internet Website Address www.priority-health.com
Statutory Statement Contact Kristy Shoemaker, 616-464-8926, kristy.shoemaker@priority-health.com, 616-942-7916

OFFICERS

Table with 4 columns: Name, Title, Name, Title. Rows include Kimberly K Horn (President / Chief Executive Officer), Gregory A Hawkins (Treasurer / Chief Financial Officer), and Kimberly L Thomas # (Secretary).

OTHER OFFICERS

DIRECTORS OR TRUSTEES

Table with 4 columns: Name, Name, Name, Name. Rows include Dennis Aloia, Craig H Bethune, Richard C Breon, Georgia R Fojtasek, Michael P Freed, Lynn Kotecki, Rajesh Kothari #, Lynn Liddle #, Peter B Lundeen, Christina MacInnes, Edward M Millermaier, Kathleen S Ponitz, Robert W Roth, Paul Saginaw #, Thomas G Schwaderer, Timothy V Smith, Dale M Sowders, James J Stephanak, Jody D Vanderwel, Samuel Wanner #.

State of Michigan

County of Kent

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The officers of this reporting entity, being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

Kimberly K. Horn, President / Chief Executive Officer; Gregory A. Hawkins, Treasurer / Chief Financial Officer; Kimberly L. Thomas, Secretary
Subscribed and sworn to before me this day of February, 2011
Catherine H. Sochanek, Executive Administrative Assistant, 05/12/2016
a. Is this an original filing? Yes [X] No []
b. If no, 1. State the amendment number, 2. Date filed, 3. Number of pages attached

ASSETS

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
1. Bonds (Schedule D).....	115,227,655		115,227,655	147,243,898
2. Stocks (Schedule D):				
2.1 Preferred stocks .....	.0		.0	.0
2.2 Common stocks	97,684,773	1	97,684,772	77,525,162
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens .....			.0	.0
3.2 Other than first liens .....			.0	.0
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$0 encumbrances).....	1,042,708	1,042,708	.0	.0
4.2 Properties held for the production of income (less \$ encumbrances) .....			.0	.0
4.3 Properties held for sale (less \$ encumbrances) .....			.0	.0
5. Cash (\$(9,126,652) , Schedule E - Part 1), cash equivalents (\$0 , Schedule E - Part 2) and short-term investments (\$183,554,163 , Schedule DA).....	174,427,511		174,427,511	169,043,413
6. Contract loans (including \$premium notes).....			.0	.0
7. Derivatives .....			.0	
8. Other invested assets (Schedule BA) .....	.0		.0	.0
9. Receivables for securities .....			.0	.0
10. Securities lending reinvested collateral assets.....			.0	
11. Aggregate write-ins for invested assets .....	.0	.0	.0	.0
12. Subtotals, cash and invested assets (Lines 1 to 11)	388,382,647	1,042,709	387,339,938	393,812,473
13. Title plants less \$charged off (for Title insurers only).....			.0	.0
14. Investment income due and accrued	2,469,212		2,469,212	2,596,295
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	15,729,789	211,796	15,517,993	14,457,046
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$earned but unbilled premium).....			.0	.0
15.3 Accrued retrospective premiums	2,358,142		2,358,142	800,122
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers .....			.0	.0
16.2 Funds held by or deposited with reinsured companies .....			.0	.0
16.3 Other amounts receivable under reinsurance contracts .....			.0	.0
17. Amounts receivable relating to uninsured plans .....			.0	.0
18.1 Current federal and foreign income tax recoverable and interest thereon .....			.0	.0
18.2 Net deferred tax asset.....			.0	.0
19. Guaranty funds receivable or on deposit .....			.0	.0
20. Electronic data processing equipment and software .....			.0	.0
21. Furniture and equipment, including health care delivery assets (\$0)	16,407,383	16,407,383	.0	.0
22. Net adjustment in assets and liabilities due to foreign exchange rates .....			.0	.0
23. Receivables from parent, subsidiaries and affiliates	10,497,693		10,497,693	8,328,457
24. Health care (\$7,054,332) and other amounts receivable.....	10,137,860	3,083,528	7,054,332	6,481,226
25. Aggregate write-ins for other than invested assets	1,917,235	1,917,235	.0	.0
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25).....	447,899,961	22,662,651	425,237,310	426,475,619
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			.0	.0
28. Total (Lines 26 and 27)	447,899,961	22,662,651	425,237,310	426,475,619
DETAILS OF WRITE-INS				
1101.				
1102.				
1103.				
1198. Summary of remaining write-ins for Line 11 from overflow page .....	.0	.0	.0	.0
1199. Totals (Lines 1101 through 1103 plus 1198)(Line 11 above)	0	0	0	0
2501. Goodwill.....	1,500,000	1,500,000	.0	.0
2502. Prepaid expenses.....	417,235	417,235	.0	.0
2503.				
2598. Summary of remaining write-ins for Line 25 from overflow page .....	.0	.0	.0	.0
2599. Totals (Lines 2501 through 2503 plus 2598)(Line 25 above)	1,917,235	1,917,235	0	0

LIABILITIES, CAPITAL AND SURPLUS

	Current Year			Prior Year
	1	2	3	4
	Covered	Uncovered	Total	Total
1. Claims unpaid (less \$0 reinsurance ceded)	117,244,237	11,360,991	128,605,228	100,948,729
2. Accrued medical incentive pool and bonus amounts	27,462,429		27,462,429	20,960,205
3. Unpaid claims adjustment expenses	2,116,042	270,605	2,386,647	1,790,725
4. Aggregate health policy reserves			0	0
5. Aggregate life policy reserves			0	0
6. Property/casualty unearned premium reserves			0	0
7. Aggregate health claim reserves			0	0
8. Premiums received in advance	11,972,775		11,972,775	20,006,430
9. General expenses due or accrued	6,104,573		6,104,573	4,867,464
10.1 Current federal and foreign income tax payable and interest thereon (including \$ on realized capital gains (losses))			0	0
10.2 Net deferred tax liability			0	0
11. Ceded reinsurance premiums payable			0	0
12. Amounts withheld or retained for the account of others	156,734		156,734	156,808
13. Remittance and items not allocated	1,753,188		1,753,188	0
14. Borrowed money (including \$0 current) and interest thereon \$2,469 (including \$2,469 current)	10,002,469		10,002,469	0
15. Amounts due to parent, subsidiaries and affiliates.	29,474,942		29,474,942	40,169,536
16. Derivatives			0	
17. Payable for securities			0	0
18. Payable for securities lending.....			0	
19. Funds held under reinsurance treaties with (\$ authorized reinsurers and \$ unauthorized reinsurers)			0	0
20. Reinsurance in unauthorized companies			0	0
21. Net adjustments in assets and liabilities due to foreign exchange rates			0	0
22. Liability for amounts held under uninsured plans	3,198,419		3,198,419	2,669,426
23. Aggregate write-ins for other liabilities (including \$ current)	0	0	0	0
24. Total liabilities (Lines 1 to 23).....	209,485,808	11,631,596	221,117,404	191,569,323
25. Aggregate write-ins for special surplus funds	XXX	XXX	1,000,000	1,000,000
26. Common capital stock	XXX	XXX	8,524	8,524
27. Preferred capital stock	XXX	XXX		0
28. Gross paid in and contributed surplus	XXX	XXX	35,821,002	35,821,002
29. Surplus notes	XXX	XXX	30,039,572	33,839,572
30. Aggregate write-ins for other than special surplus funds	XXX	XXX	0	0
31. Unassigned funds (surplus)	XXX	XXX	137,250,808	164,237,198
32. Less treasury stock, at cost:				
32.1 shares common (value included in Line 26 \$)	XXX	XXX		0
32.2 shares preferred (value included in Line 27 \$)	XXX	XXX		0
33. Total capital and surplus (Lines 25 to 31 minus Line 32)	XXX	XXX	204,119,906	234,906,296
34. Total liabilities, capital and surplus (Lines 24 and 33)	XXX	XXX	425,237,310	426,475,619
DETAILS OF WRITE-INS				
2301.				
2302.				
2303.				
2398. Summary of remaining write-ins for Line 23 from overflow page	0	0	0	0
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	0	0	0	0
2501. Appropriated Retained Earnings.....	XXX	XXX	1,000,000	1,000,000
2502.	XXX	XXX		
2503.	XXX	XXX		
2598. Summary of remaining write-ins for Line 25 from overflow page	XXX	XXX	0	0
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	XXX	XXX	1,000,000	1,000,000
3001.	XXX	XXX		
3002.	XXX	XXX		
3003.	XXX	XXX		
3098. Summary of remaining write-ins for Line 30 from overflow page	XXX	XXX	0	0
3099. Totals (Lines 3001 through 3003 plus 3098) (Line 30 above)	XXX	XXX	0	0

STATEMENT OF REVENUE AND EXPENSES

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member Months.....	XXX	5,055,349	4,408,636
2. Net premium income (including \$0 non-health premium income).....	XXX	1,653,567,234	1,323,382,746
3. Change in unearned premium reserves and reserve for rate credits	XXX		0
4. Fee-for-service (net of \$ medical expenses)	XXX		0
5. Risk revenue	XXX		0
6. Aggregate write-ins for other health care related revenues	XXX	624,322	980,430
7. Aggregate write-ins for other non-health revenues	XXX	0	0
8. Total revenues (Lines 2 to 7)	XXX	1,654,191,556	1,324,363,176
Hospital and Medical:			
9. Hospital/medical benefits		1,127,531,998	879,499,199
10. Other professional services		801,732	515,369
11. Outside referrals		40,936,382	33,721,176
12. Emergency room and out-of-area		47,139,274	36,306,888
13. Prescription drugs		289,551,037	230,308,382
14. Aggregate write-ins for other hospital and medical.....	0	0	0
15. Incentive pool, withhold adjustments and bonus amounts.....		28,601,619	23,501,688
16. Subtotal (Lines 9 to 15)	0	1,534,562,042	1,203,852,702
Less:			
17. Net reinsurance recoveries		131,594	356,156
18. Total hospital and medical (Lines 16 minus 17)	0	1,534,430,448	1,203,496,546
19. Non-health claims (net).....			0
20. Claims adjustment expenses, including \$19,176,556 cost containment expenses.....		43,679,933	40,289,583
21. General administrative expenses.....		99,978,445	83,704,937
22. Increase in reserves for life and accident and health contracts (including \$ increase in reserves for life only).....		0	0
23. Total underwriting deductions (Lines 18 through 22)	0	1,678,088,826	1,327,491,066
24. Net underwriting gain or (loss) (Lines 8 minus 23)	XXX	(23,897,270)	(3,127,890)
25. Net investment income earned (Exhibit of Net Investment Income, Line 17).....		11,412,382	19,243,063
26. Net realized capital gains (losses) less capital gains tax of \$0		2,295,881	(1,203,120)
27. Net investment gains (losses) (Lines 25 plus 26)	0	13,708,263	18,039,943
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$) (amount charged off \$)]			0
29. Aggregate write-ins for other income or expenses	0	3,026,820	2,909,532
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29).....	XXX	(7,162,187)	17,821,585
31. Federal and foreign income taxes incurred	XXX		0
32. Net income (loss) (Lines 30 minus 31)	XXX	(7,162,187)	17,821,585
DETAILS OF WRITE-INS			
0601. Wellness Program Revenue.....	XXX	624,322	980,430
0602.	XXX		
0603.	XXX		
0698. Summary of remaining write-ins for Line 6 from overflow page	XXX	0	0
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above)	XXX	624,322	980,430
0701.	XXX		
0702.	XXX		
0703.	XXX		
0798. Summary of remaining write-ins for Line 7 from overflow page	XXX	0	0
0799. Totals (Lines 0701 through 0703 plus 0798) (Line 7 above)	XXX	0	0
1401.			
1402.			
1403.			
1498. Summary of remaining write-ins for Line 14 from overflow page	0	0	0
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	0	0	0
2901. Management Fee Revenue.....		3,026,820	2,909,532
2902.			
2903.			
2998. Summary of remaining write-ins for Line 29 from overflow page	0	0	0
2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above)	0	3,026,820	2,909,532

STATEMENT OF REVENUE AND EXPENSES (Continued)

	1	2
	Current Year	Prior Year
CAPITAL AND SURPLUS ACCOUNT:		
33. Capital and surplus prior reporting year	234,906,296	221,121,463
34. Net income or (loss) from Line 32	(7,162,187)	17,821,585
35. Change in valuation basis of aggregate policy and claim reserves		0
36. Change in net unrealized capital gains (losses) less capital gains tax of \$0	(17,110,424)	(3,552,107)
37. Change in net unrealized foreign exchange capital gain or (loss)		0
38. Change in net deferred income tax		0
39. Change in nonadmitted assets	(2,713,782)	(484,645)
40. Change in unauthorized reinsurance	0	0
41. Change in treasury stock	0	0
42. Change in surplus notes	(3,800,000)	0
43. Cumulative effect of changes in accounting principles		0
44. Capital Changes:		
44.1 Paid in	0	0
44.2 Transferred from surplus (Stock Dividend)		0
44.3 Transferred to surplus		0
45. Surplus adjustments:		
45.1 Paid in	0	0
45.2 Transferred to capital (Stock Dividend)	0	0
45.3 Transferred from capital		0
46. Dividends to stockholders		0
47. Aggregate write-ins for gains or (losses) in surplus	0	0
48. Net change in capital and surplus (Lines 34 to 47)	(30,786,393)	13,784,833
49. Capital and surplus end of reporting year (Line 33 plus 48)	204,119,903	234,906,296
DETAILS OF WRITE-INS		
4701.		
4702.		
4703.		
4798. Summary of remaining write-ins for Line 47 from overflow page	0	0
4799. Totals (Lines 4701 through 4703 plus 4798) (Line 47 above)	0	0

CASH FLOW

	1 Current Year	2 Prior Year
Cash from Operations		
1. Premiums collected net of reinsurance.....	1,642,985,558	1,321,219,807
2. Net investment income.....	12,069,596	19,717,385
3. Miscellaneous income.....	624,322	980,430
4. Total (Lines 1 through 3).....	1,655,679,476	1,341,917,622
5. Benefit and loss related payments.....	1,502,114,239	1,214,314,015
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts.....		0
7. Commissions, expenses paid and aggregate write-ins for deductions.....	138,269,535	119,810,992
8. Dividends paid to policyholders.....		0
9. Federal and foreign income taxes paid (recovered) net of \$ tax on capital gains (losses).....	0	0
10. Total (Lines 5 through 9).....	1,640,383,774	1,334,125,007
11. Net cash from operations (Line 4 minus Line 10).....	15,295,702	7,792,615
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds.....	84,581,833	69,863,082
12.2 Stocks.....	188,370	7,961,125
12.3 Mortgage loans.....	0	0
12.4 Real estate.....	4,139	0
12.5 Other invested assets.....	0	0
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments.....	9,244	18,045
12.7 Miscellaneous proceeds.....	128,297	190,276
12.8 Total investment proceeds (Lines 12.1 to 12.7).....	84,911,883	78,032,528
13. Cost of investments acquired (long-term only):		
13.1 Bonds.....	50,825,861	78,747,703
13.2 Stocks.....	37,270,035	25,981,737
13.3 Mortgage loans.....	0	0
13.4 Real estate.....	165,235	488,589
13.5 Other invested assets.....	0	0
13.6 Miscellaneous applications.....	171,593	0
13.7 Total investments acquired (Lines 13.1 to 13.6).....	88,432,724	105,218,029
14. Net increase (decrease) in contract loans and premium notes.....	0	0
15. Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14).....	(3,520,841)	(27,185,501)
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes.....	(3,800,000)	0
16.2 Capital and paid in surplus, less treasury stock.....	0	0
16.3 Borrowed funds.....	10,002,469	0
16.4 Net deposits on deposit-type contracts and other insurance liabilities.....		0
16.5 Dividends to stockholders.....	0	0
16.6 Other cash provided (applied).....	(12,593,232)	9,795,805
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6).....	(6,390,763)	9,795,805
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17).....	5,384,098	(9,597,081)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year.....	169,043,413	178,640,494
19.2 End of year (Line 18 plus Line 19.1).....	174,427,511	169,043,413

ANNUAL STATEMENT FOR THE YEAR 2010 OF THE Priority Health

ANALYSIS OF OPERATIONS BY LINES OF BUSINESS

	1	2	3	4	5	6	7	8	9	10
		Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
	Total									
1. Net premium income	1,653,567,234	1,276,470,026	530,302	0	0	0	376,566,906	0	0	0
2. Change in unearned premium reserves and reserve for rate credit	0									
3. Fee-for-service (net of \$										XXX
medical expenses)	0									XXX
4. Risk revenue	0									XXX
5. Aggregate write-ins for other health care related revenues	624,322	624,322	0	0	0	0	0	0	0	0
6. Aggregate write-ins for other non-health care related revenues	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
7. Total revenues (Lines 1 to 6)	1,654,191,556	1,277,094,348	530,302	0	0	0	376,566,906	0	0	0
8. Hospital/medical benefits	1,127,531,998	855,641,520	298,175				271,592,303			XXX
9. Other professional services	801,732	716,121					85,611			XXX
10. Outside referrals	40,936,382	36,565,075					4,371,307			XXX
11. Emergency room and out-of-area	47,139,274	42,105,604					5,033,670			XXX
12. Prescription drugs	289,551,037	233,726,657	47,273				55,777,107			XXX
13. Aggregate write-ins for other hospital and medical	0	0	0	0	0	0	0	0	0	XXX
14. Incentive pool, withhold adjustments and bonus amounts	28,601,619	24,600,671					4,000,948			XXX
15. Subtotal (Lines 8 to 14)	1,534,562,042	1,193,355,648	345,448	0	0	0	340,860,946	0	0	XXX
16. Net reinsurance recoveries	131,594	131,594								XXX
17. Total hospital and medical (Lines 15 minus 16)	1,534,430,448	1,193,224,054	345,448	0	0	0	340,860,946	0	0	XXX
18. Non-health claims (net)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
19. Claims adjustment expenses including \$	19,176,556	cost containment expenses	43,679,933	33,811,904	22,015		9,846,014			
20. General administrative expenses	99,978,445	77,413,653	28,375				22,536,417			
21. Increase in reserves for accident and health contracts	0									XXX
22. Increase in reserves for life contracts	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
23. Total underwriting deductions (Lines 17 to 22)	1,678,088,826	1,304,449,611	395,838	0	0	0	373,243,377	0	0	0
24. Net underwriting gain or (loss) (Line 7 minus Line 23)	(23,897,270)	(27,355,263)	134,464	0	0	0	3,323,529	0	0	0
DETAILS OF WRITE-INS										
0501. Wellness program revenue	624,322	624,322								XXX
0502.										XXX
0503.										XXX
0598. Summary of remaining write-ins for Line 5 from overflow page	0	0	0	0	0	0	0	0	0	XXX
0599. Totals (Lines 0501 through 0503 plus 0598) (Line 5 above)	624,322	624,322	0	0	0	0	0	0	0	XXX
0601.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0602.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0603.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0698. Summary of remaining write-ins for Line 6 from overflow page	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
1301.										XXX
1302.										XXX
1303.										XXX
1398. Summary of remaining write-ins for Line 13 from overflow page	0	0	0	0	0	0	0	0	0	XXX
1399. Totals (Lines 1301 through 1303 plus 1398) (Line 13 above)	0	0	0	0	0	0	0	0	0	XXX

UNDERWRITING AND INVESTMENT EXHIBIT
PART 1 - PREMIUMS

	1	2	3	4
Line of Business	Direct Business	Reinsurance Assumed	Reinsurance Ceded	Net Premium Income (Cols. 1+2-3)
1. Comprehensive (hospital and medical)	1,278,071,892		1,601,866	1,276,470,026
2. Medicare Supplement	530,606		304	530,302
3. Dental only.....				.0
4. Vision only.....				.0
5. Federal Employees Health Benefits Plan .....				.0
6. Title XVIII - Medicare	376,610,092		43,186	376,566,906
7. Title XIX - Medicaid.....				.0
8. Other health.....				.0
9. Health subtotal (Lines 1 through 8)	1,655,212,590	0	1,645,356	1,653,567,234
10. Life .....				.0
11. Property/casualty.....				.0
12. Totals (Lines 9 to 11)	1,655,212,590	0	1,645,356	1,653,567,234

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2010 OF THE Priority Health

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - CLAIMS INCURRED DURING THE YEAR

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Payments during the year:										
1.1 Direct	1,501,149,557	1,180,760,005	338,097				320,051,455			
1.2 Reinsurance assumed	0									
1.3 Reinsurance ceded	131,594	131,594								
1.4 Net	1,501,017,963	1,180,628,411	338,097	0	0	0	320,051,455	0	0	0
2. Paid medical incentive pools and bonuses	22,099,395	21,092,740					1,006,655			
3. Claim liability December 31, current year from Part 2A:										
3.1 Direct	128,605,228	94,832,969	7,351	0	0	0	33,764,908	0	0	0
3.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
3.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
3.4 Net	128,605,228	94,832,969	7,351	0	0	0	33,764,908	0	0	0
4. Claim reserve December 31, current year from Part 2D:										
4.1 Direct	0									
4.2 Reinsurance assumed	0									
4.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	
4.4 Net	0	0	0	0	0	0	0	0	0	0
5. Accrued medical incentive pools and bonuses, current year	27,462,429	23,292,418					4,170,011			
6. Net healthcare receivables (a)	22,845,634	18,047,450					4,798,184			
7. Amounts recoverable from reinsurers December 31, current year	0									
8. Claim liability December 31, prior year from Part 2A:										
8.1 Direct	100,948,729	88,790,547	0	0	0	0	12,158,182	0	0	0
8.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
8.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
8.4 Net	100,948,729	88,790,547	0	0	0	0	12,158,182	0	0	0
9. Claim reserve December 31, prior year from Part 2D:										
9.1 Direct	0	0	0	0	0	0	0	0	0	0
9.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
9.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
9.4 Net	0	0	0	0	0	0	0	0	0	0
10. Accrued medical incentive pools and bonuses, prior year	20,960,205	19,784,488	0	0	0	0	1,175,717	0	0	0
11. Amounts recoverable from reinsurers December 31, prior year	0	0	0	0	0	0	0	0	0	0
12. Incurred benefits:										
12.1 Direct	1,505,960,422	1,168,754,977	345,448	0	0	0	336,859,997	0	0	0
12.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
12.3 Reinsurance ceded	131,594	131,594	0	0	0	0	0	0	0	0
12.4 Net	1,505,828,828	1,168,623,383	345,448	0	0	0	336,859,997	0	0	0
13. Incurred medical incentive pools and bonuses	28,601,619	24,600,670	0	0	0	0	4,000,949	0	0	0

(a) Excludes \$ 0 loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A - CLAIMS LIABILITY END OF CURRENT YEAR

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan Premium	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Reported in Process of Adjustment:										
1.1 Direct	44,434,371	33,924,627	2,646				10,507,098			
1.2 Reinsurance assumed	0									
1.3 Reinsurance ceded	0									
1.4 Net	44,434,371	33,924,627	2,646	0	0	0	10,507,098	0	0	0
2. Incurred but Unreported:										
2.1 Direct	84,116,634	60,854,119	4,705				23,257,810			
2.2 Reinsurance assumed	0									
2.3 Reinsurance ceded	0									
2.4 Net	84,116,634	60,854,119	4,705	0	0	0	23,257,810	0	0	0
3. Amounts Withheld from Paid Claims and Capitations:										
3.1 Direct	54,223	54,223								
3.2 Reinsurance assumed	0									
3.3 Reinsurance ceded	0									
3.4 Net	54,223	54,223	0	0	0	0	0	0	0	0
4. TOTALS:										
4.1 Direct	128,605,228	94,832,969	7,351	0	0	0	33,764,908	0	0	0
4.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
4.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
4.4 Net	128,605,228	94,832,969	7,351	0	0	0	33,764,908	0	0	0

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2B - ANALYSIS OF CLAIMS UNPAID - PRIOR YEAR - NET OF REINSURANCE

Line of Business	Claims Paid During the Year		Claim Reserve and Claim Liability Dec. 31 of Current Year		5 Claims Incurred in Prior Years (Columns 1 + 3)	6 Estimated Claim Reserve and Claim Liability December 31 of Prior Year
	1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year		
1. Comprehensive (hospital and medical)	94,319,210	1,091,107,385	570,056	94,262,913	94,889,266	88,790,547
2. Medicare Supplement		338,097		7,351	0	0
3. Dental Only.....					0	0
4. Vision Only.....					0	0
5. Federal Employees Health Benefits Plan					0	0
6. Title XVIII - Medicare	10,847,054	304,406,218	58,704	33,706,204	10,905,758	12,158,182
7. Title XIX - Medicaid.....					0	0
8. Other health					0	0
9. Health subtotal (Lines 1 to 8).....	105,166,264	1,395,851,700	628,760	127,976,468	105,795,024	100,948,729
10. Healthcare receivables (a).....	6,220,740	14,782,380		8,063,254	6,220,740	6,220,740
11. Other non-health.....					0	0
12. Medical incentive pools and bonus amounts	21,128,102	971,293	951,604	26,510,825	22,079,706	20,960,205
13. Totals (Lines 9 - 10 + 11 + 12)	120,073,626	1,382,040,613	1,580,364	146,424,039	121,653,990	115,688,194

(a) Excludes \$ 0 loans or advances to providers not yet expensed.

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2010 OF THE Priority Health

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(000 Omitted)

Section A – Paid Health Claims - Hospital and Medical

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2006	2 2007	3 2008	4 2009	5 2010
1. Prior	2,885,817	2,885,817	2,885,817	2,885,831	2,885,831
2. 2006.....	1,108,431	1,215,635	1,215,635	1,215,659	1,215,657
3. 2007.....	XXX	1,092,361	1,200,070	1,200,749	1,200,765
4. 2008.....	XXX	XXX	953,310	1,057,928	1,058,371
5. 2009.....	XXX	XXX	XXX	993,571	1,087,433
6. 2010.....	XXX	XXX	XXX	XXX	1,095,608

Section B – Incurred Health Claims - Hospital and Medical

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2006	2 2007	3 2008	4 2009	5 2010
1. Prior	2,897,347	2,888,499	2,888,499	2,888,513	2,888,513
2. 2006.....	1,225,485	1,221,472	1,221,472	1,221,496	1,221,496
3. 2007.....	XXX	1,195,421	1,196,376	1,197,055	1,197,055
4. 2008.....	XXX	XXX	1,070,019	1,058,089	1,058,089
5. 2009.....	XXX	XXX	XXX	1,093,024	1,100,195
6. 2010.....	XXX	XXX	XXX	XXX	1,186,053

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Hospital and Medical

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 Col. (3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2+3)	6 Col. (5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 Col. (9/1) Percent
1. 2006.....	1,353,642	1,215,657	18,784	1.5	1,234,441	91.2			1,234,441	91.2
2. 2007.....	1,322,209	1,200,765	18,391	1.5	1,219,156	92.2			1,219,156	92.2
3. 2008.....	1,179,968	1,058,371	26,502	2.5	1,084,873	91.9			1,084,873	91.9
4. 2009.....	1,177,005	1,087,433	39,580	3.6	1,127,013	95.8	1,522	22	1,128,557	95.9
5. 2010.....	1,276,470	1,095,608	22,801	2.1	1,118,409	87.6	116,605	1,711	1,236,725	96.9

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(000 Omitted)

Section A – Paid Health Claims - Medicare Supplement

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2006	2 2007	3 2008	4 2009	5 2010
1. Prior .....	.0	.0	.0	.0	.0
2. 2006.....	.0	.0	.0	.0	.0
3. 2007.....	XXX	.0	.0	.0	.0
4. 2008.....	XXX	XXX	.0	.0	.0
5. 2009.....	XXX	XXX	XXX	.0	.0
6. 2010.....	XXX	XXX	XXX	XXX	338

Section B - Incurred Health Claims - Medicare Supplement

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2006	2 2007	3 2008	4 2009	5 2010
1. Prior					
2. 2006.....					
3. 2007.....	XXX				
4. 2008.....	XXX	XXX			
5. 2009.....	XXX	XXX	XXX		
6. 2010.....	XXX	XXX	XXX	XXX	345

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Medicare Supplement

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 Col. (3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2+3)	6 Col. (5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 Col. (9/1) Percent
1. 2006.....	.0	.0		.0	.0	.0			.0	.0
2. 2007.....	.0	.0		.0	.0	.0			.0	.0
3. 2008.....	.0	.0		.0	.0	.0			.0	.0
4. 2009.....	.0	.0		.0	.0	.0			.0	.0
5. 2010.....	530	338	19	5.6	357	67.4	7		364	68.7

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(000 Omitted)

Section A - Paid Health Claims - Medicare

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2006	2 2007	3 2008	4 2009	5 2010
1. Prior	1,299	1,299	1,299	1,299	1,299
2. 2006.....	28,337	31,593	31,621	31,621	31,621
3. 2007.....	XXX	42,183	46,407	46,420	46,420
4. 2008.....	XXX	XXX	58,950	65,892	65,908
5. 2009.....	XXX	XXX	XXX	108,453	119,284
6. 2010.....	XXX	XXX	XXX	XXX	301,002

Section B - Incurred Health Claims - Medicare

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2006	2 2007	3 2008	4 2009	5 2010
1. Prior	1,301	1,301	1,299	1,299	1,299
2. 2006.....	32,233	31,949	31,928	31,928	31,928
3. 2007.....	XXX	48,368	47,417	47,430	47,430
4. 2008.....	XXX	XXX	67,500	65,898	65,898
5. 2009.....	XXX	XXX	XXX	123,275	122,070
6. 2010.....	XXX	XXX	XXX	XXX	342,066

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Medicare

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 Col. (3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2+3)	6 Col. (5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 Col. (9/1) Percent
1. 2006.....	34,999	31,621	249	0.8	31,870	91.1	0	0	31,870	91.1
2. 2007.....	52,973	46,420	315	0.7	46,735	88.2	0	0	46,735	88.2
3. 2008.....	77,571	65,908	693	1.1	66,601	85.9	0	0	66,601	85.9
4. 2009.....	147,358	119,284	1,837	1.5	121,121	82.2	58	1	121,180	82.2
5. 2010.....	376,567	301,002	2,728	0.9	303,730	80.7	37,876	653	342,259	90.9

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS

(000 Omitted)

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2006	2 2007	3 2008	4 2009	5 2010
1. Prior	28,277	28,277	28,277	28,277	28,277
2. 2006	.0	.0	.0	.0	.0
3. 2007	XXX	.0	.0	.0	.0
4. 2008	XXX	XXX	.0	.0	.0
5. 2009	XXX	XXX	XXX	.0	.0
6. 2010	XXX	XXX	XXX	XXX	0

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2006	2 2007	3 2008	4 2009	5 2010
1. Prior	28,277	28,277	28,277	28,277	28,277
2. 2006					
3. 2007	XXX				
4. 2008	XXX	XXX			
5. 2009	XXX	XXX	XXX		
6. 2010	XXX	XXX	XXX	XXX	

[illegible]

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(000 Omitted)

Section A - Paid Health Claims - Grand Total

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2006	2 2007	3 2008	4 2009	5 2010
1. Prior	2,915,393	2,915,393	2,915,393	2,915,407	2,915,407
2. 2006	1,136,768	1,247,228	1,247,256	1,247,280	1,247,278
3. 2007	XXX	1,134,544	1,246,477	1,247,169	1,247,185
4. 2008	XXX	XXX	1,012,260	1,123,820	1,124,279
5. 2009	XXX	XXX	XXX	1,102,024	1,206,717
6. 2010	XXX	XXX	XXX	XXX	1,396,948

Section B - Incurred Health Claims - Grand Total

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2006	2 2007	3 2008	4 2009	5 2010
1. Prior	2,926,925	2,918,077	2,918,075	2,918,089	2,918,089
2. 2006	1,257,718	1,253,421	1,253,400	1,253,424	1,253,424
3. 2007	XXX	1,243,789	1,243,793	1,244,485	1,244,485
4. 2008	XXX	XXX	1,137,519	1,123,987	1,123,987
5. 2009	XXX	XXX	XXX	1,216,299	1,222,265
6. 2010	XXX	XXX	XXX	XXX	1,528,464

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Grand Total

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 Col. (3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2+3)	6 Col. (5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 Col. (9/1) Percent
1. 2006	1,388,641	1,247,278	19,033	1.5	1,266,311	91.2	.0	.0	1,266,311	91.2
2. 2007	1,375,182	1,247,185	18,706	1.5	1,265,891	92.1	.0	.0	1,265,891	92.1
3. 2008	1,257,539	1,124,279	27,195	2.4	1,151,474	91.6	.0	.0	1,151,474	91.6
4. 2009	1,324,363	1,206,717	41,417	3.4	1,248,134	94.2	1,580	23	1,249,737	94.4
5. 2010	1,653,567	1,396,948	25,548	1.8	1,422,496	86.0	154,488	2,364	1,579,348	95.5

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2D - AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS ONLY

	1	2	3	4	5	6	7	8	9
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Other
1. Unearned premium reserves .....	.0								
2. Additional policy reserves (a) .....	.0								
3. Reserve for future contingent benefits .....	.0								
4. Reserve for rate credits or experience rating refunds (including \$ for investment income) .....	.0								
5. Aggregate write-ins for other policy reserves .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
6. Totals (gross) .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
7. Reinsurance ceded .....	.0								
8. Totals (Net) (Page 3, Line 4) .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
9. Present value of amounts not yet due on claims .....	.0								
10. Reserve for future contingent benefits .....	.0								
11. Aggregate write-ins for other claim reserves .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
12. Totals (gross) .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
13. Reinsurance ceded .....	.0								
14. Totals (Net) (Page 3, Line 7)	0	0	0	0	0	0	0	0	0
DETAILS OF WRITE-INS									
0501.									
0502.									
0503.									
0598. Summary of remaining write-ins for Line 5 from overflow page .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
0599. Totals (Lines 0501 through 0503 plus 0598) (Line 5 above)	0	0	0	0	0	0	0	0	0
1101.									
1102.									
1103.									
1198. Summary of remaining write-ins for Line 11 from overflow page .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above) .....	.0	.0	.0	.0	.0	.0	.0	.0	.0

(a) Includes \$ premium deficiency reserve.

UNDERWRITING AND INVESTMENT EXHIBIT
PART 3 - ANALYSIS OF EXPENSES

	Claim Adjustment Expenses		3 General Administrative Expenses	4 Investment Expenses	5 Total
	1 Cost Containment Expenses	2 Other Claim Adjustment Expenses			
1. Rent (\$0 for occupancy of own building).....	744,814	951,707	2,441,335		4,137,856
2. Salaries, wages and other benefits.....	10,851,229	13,865,462	35,567,920		60,284,611
3. Commissions (less \$0 ceded plus \$0 assumed.....	3,992	5,100	37,085,896		37,094,988
4. Legal fees and expenses.....	87,821	112,216	287,858		487,895
5. Certifications and accreditation fees.....					0
6. Auditing, actuarial and other consulting services.....	58,738	75,053	192,529		326,320
7. Traveling expenses.....	157,887	201,744	517,519		877,150
8. Marketing and advertising.....	554,671	708,746	1,818,088		3,081,505
9. Postage, express and telephone.....	415,856	531,372	1,363,083		2,310,311
10. Printing and office supplies.....	678,964	867,566	2,225,494		3,772,024
11. Occupancy, depreciation and amortization.....	464,007	592,898	413,639		1,470,544
12. Equipment.....	38,080	48,658	451,910		538,648
13. Cost or depreciation of EDP equipment and software.....	1,414,695	1,807,665	4,354,614		7,576,974
14. Outsourced services including EDP, claims, and other services.....	2,819,943	3,603,259	9,460,317		15,883,519
15. Boards, bureaus and association fees.....	21,476	27,442	70,395		119,313
16. Insurance, except on real estate.....	54,303	69,387	177,994		301,684
17. Collection and bank service charges.....	21,852	27,922	319,757		369,531
18. Group service and administration fees.....	99,462	127,090	566,248		792,800
19. Reimbursements by uninsured plans.....					0
20. Reimbursements from fiscal intermediaries.....					0
21. Real estate expenses.....					0
22. Real estate taxes.....	28,799	36,798	94,396		159,993
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes.....					0
23.2 State premium taxes.....	1,018	1,300	5,135		7,453
23.3 Regulatory authority licenses and fees.....	247	316	30,779		31,342
23.4 Payroll taxes.....					0
23.5 Other (excluding federal income and real estate taxes).....	658,702	841,676	2,533,539		4,033,917
24. Investment expenses not included elsewhere.....					0
25. Aggregate write-ins for expenses.....	0	0	0	0	0
26. Total expenses incurred (Lines 1 to 25).....	19,176,556	24,503,377	99,978,445	0	(a).....143,658,378
27. Less expenses unpaid December 31, current year.....	238,665	2,147,982	6,104,573		8,491,220
28. Add expenses unpaid December 31, prior year.....	304,423	1,486,301	4,867,465	0	6,658,189
29. Amounts receivable relating to uninsured plans, prior year.....	0	0	0	0	0
30. Amounts receivable relating to uninsured plans, current year.....					0
31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30)	19,242,314	23,841,696	98,741,337	0	141,825,347
DETAIL OF WRITE-INS					
2501.					
2502.					
2503.					
2598. Summary of remaining write-ins for Line 25 from overflow page.....	0	0	0	0	0
2599. Totals (Line 2501 through 2503 + 2598)(Line 25 above)	0	0	0	0	0

(a) Includes management fees of \$96,158,056 to affiliates and \$0 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

		1	2
		Collected During Year	Earned During Year
1.	U.S. Government bonds	(a) .....983,408	.....838,095
1.1	Bonds exempt from U.S. tax	(a) .....	.....
1.2	Other bonds (unaffiliated)	(a) .....5,380,279	.....5,331,191
1.3	Bonds of affiliates	(a) .....0	.....
2.1	Preferred stocks (unaffiliated)	(b) .....0	.....
2.11	Preferred stocks of affiliates	(b) .....0	.....
2.2	Common stocks (unaffiliated) .....	.....1,531,664	.....1,531,664
2.21	Common stocks of affiliates .....	.....5,000,000	.....5,000,000
3.	Mortgage loans	(c) .....	.....
4.	Real estate	(d) .....	.....
5.	Contract loans.....	.....	.....
6.	Cash, cash equivalents and short-term investments	(e) .....1,110,337	.....741,808
7.	Derivative instruments	(f) .....	.....
8.	Other invested assets .....	.....	.....
9.	Aggregate write-ins for investment income .....	.....0	.....0
10.	Total gross investment income	14,005,688	13,442,758
11.	Investment expenses		(g)
12.	Investment taxes, licenses and fees, excluding federal income taxes		(g)
13.	Interest expense		(h) .....2,030,376
14.	Depreciation on real estate and other invested assets		(i)
15.	Aggregate write-ins for deductions from investment income .....		.....0
16.	Total deductions (Lines 11 through 15) .....		.....2,030,376
17.	Net investment income (Line 10 minus Line 16)		11,412,382
DETAILS OF WRITE-INS			
0901.	.....	.....	.....
0902.	.....	.....	.....
0903.	.....	.....	.....
0998.	Summary of remaining write-ins for Line 9 from overflow page .....	.....0	.....0
0999.	Totals (Lines 0901 through 0903) plus 0998 (Line 9 above)	0	0
1501.	.....	
1502.	.....	
1503.	.....	
1598.	Summary of remaining write-ins for Line 15 from overflow page .....		.....0
1599.	Totals (Lines 1501 through 1503) plus 1598 (Line 15 above)		0

(a) Includes \$162,603 accrual of discount less \$692,734 amortization of premium and less \$294,496 paid for accrued interest on purchases.
(b) Includes \$ amortization of premium and less \$0 paid for accrued dividends on purchases.
(c) Includes \$0 accrual of discount less \$0 amortization of premium and less \$ paid for accrued interest on purchases.
(d) Includes \$ for company's occupancy of its own buildings; and excludes \$ interest on encumbrances.
(e) Includes \$1,880 accrual of discount less \$3,711,483 amortization of premium and less \$ paid for accrued interest on purchases.
(f) Includes \$ accrual of discount less \$ amortization of premium.
(g) Includes \$ investment expenses and \$ investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
(h) Includes \$ interest on surplus notes and \$ interest on capital notes.
(i) Includes \$ depreciation on real estate and \$ depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

		1	2	3	4	5.
		Realized Gain (Loss) On Sales or Maturity	Other Realized Adjustments	Total Realized Capital Gain (Loss) (Columns 1 + 2)	Change in Unrealized Capital Gain (Loss)	Change in Unrealized Foreign Exchange Capital Gain (Loss)
1.	U.S. Government bonds	236,859		236,859		
1.1	Bonds exempt from U.S. tax			0		
1.2	Other bonds (unaffiliated)	2,033,001		2,033,001		
1.3	Bonds of affiliates	0	0	0	0	0
2.1	Preferred stocks (unaffiliated)	0	0	0	0	0
2.11	Preferred stocks of affiliates	0	0	0	0	0
2.2	Common stocks (unaffiliated)	188,370	0	188,370	4,872,975	0
2.21	Common stocks of affiliates	0	0	0	(21,983,399)	0
3.	Mortgage loans	0	0	0	0	0
4.	Real estate	0	0	0	0	0
5.	Contract loans	0		0		
6.	Cash, cash equivalents and short-term investments	(162,349)		(162,349)	0	0
7.	Derivative instruments			0		
8.	Other invested assets	0	0	0	0	0
9.	Aggregate write-ins for capital gains (losses)	0	0	0	0	0
10.	Total capital gains (losses)	2,295,881	0	2,295,881	(17,110,424)	0
DETAILS OF WRITE-INS						
0901.	.....				
0902.	.....				
0903.	.....				
0998.	Summary of remaining write-ins for Line 9 from overflow page	0	0	0	0	0
0999.	Totals (Lines 0901 through 0903) plus 0998 (Line 9, above)	0	0	0	0	0

EXHIBIT OF NONADMITTED ASSETS

	1	2	3
	Current Year Total Nonadmitted Assets	Prior Year Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D).....	0	0	0
2. Stocks (Schedule D):			
2.1 Preferred stocks	0	0	0
2.2 Common stocks	1	0	(1)
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens	0	0	0
3.2 Other than first liens	0	0	0
4. Real estate (Schedule A):			
4.1 Properties occupied by the company	1,042,708	1,009,909	(32,799)
4.2 Properties held for the production of income	0	0	0
4.3 Properties held for sale	0	0	0
5. Cash (Schedule E - Part 1), cash equivalents (Schedule E - Part 2) and short-term investments (Schedule DA).....	0	0	0
6. Contract loans	0	0	0
7. Derivatives	0	0	0
8. Other invested assets (Schedule BA)	0	0	0
9. Receivables for securities	0	0	0
10. Securities lending reinvested collateral assets	0	0	0
11. Aggregate write-ins for invested assets	0	0	0
12. Subtotals, cash and invested assets (Lines 1 to 11)	1,042,709	1,009,909	(32,800)
13. Title plants (for Title insurers only).....	0	0	0
14. Investment income due and accrued	0	0	0
15. Premiums and considerations:			
15.1 Uncollected premiums and agents' balances in the course of collection	211,796	282,741	70,945
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due.....	0	0	0
15.3 Accrued retrospective premiums	0	0	0
16. Reinsurance:			
16.1 Amounts recoverable from reinsurers	0	0	0
16.2 Funds held by or deposited with reinsured companies	0	0	0
16.3 Other amounts receivable under reinsurance contracts	0	0	0
17. Amounts receivable relating to uninsured plans	0	0	0
18.1 Current federal and foreign income tax recoverable and interest thereon	0	0	0
18.2 Net deferred tax asset	0	0	0
19. Guaranty funds receivable or on deposit	0	0	0
20. Electronic data processing equipment and software	0	0	0
21. Furniture and equipment, including health care delivery assets.....	16,407,383	14,232,279	(2,175,104)
22. Net adjustment in assets and liabilities due to foreign exchange rates	0	0	0
23. Receivables from parent, subsidiaries and affiliates	0	0	0
24. Health care and other amounts receivable.....	3,083,528	1,584,537	(1,498,991)
25. Aggregate write-ins for other than invested assets	1,917,235	2,839,403	922,168
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25).....	22,662,651	19,948,869	(2,713,782)
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....	0	0	0
28. Total (Lines 26 and 27)	22,662,651	19,948,869	(2,713,782)
DETAILS OF WRITE-INS			
1101.			
1102.			
1103.			
1198. Summary of remaining write-ins for Line 11 from overflow page	0	0	0
1199. Totals (Lines 1101 through 1103 plus 1198)(Line 11 above)	0	0	0
2501. Goodwill.....	1,500,000	2,400,000	900,000
2502. Prepaid Expenses.....	417,235	439,403	22,168
2503.			
2598. Summary of remaining write-ins for Line 25 from overflow page	0	0	0
2599. Totals (Lines 2501 through 2503 plus 2598)(Line 25 above)	1,917,235	2,839,403	922,168

EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY

Source of Enrollment	Total Members at End of					6 Current Year Member Months
	1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	
1. Health Maintenance Organizations.....	308,105	301,506	303,249	305,790	308,373	3,660,287
2. Provider Service Organizations.....	.0	.0	.0	.0	.0	.0
3. Preferred Provider Organizations.....	.0	.0	.0	.0	.0	.0
4. Point of Service.....	54,804	68,264	72,125	73,088	75,883	851,432
5. Indemnity Only.....	.0	.0	.0	.0	.0	.0
6. Aggregate write-ins for other lines of business	17,907	43,475	45,335	46,752	47,823	543,630
7. Total	380,816	413,245	420,709	425,630	432,079	5,055,349
DETAILS OF WRITE-INS						
0601. Medicare.....	17,907	43,290	45,033	46,359	47,276	539,825
0602. Medigap.....	.0	185	302	393	547	3,805
0603.						
0698. Summary of remaining write-ins for Line 6 from overflow page .....	.0	.0	.0	.0	.0	.0
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above)	17,907	43,475	45,335	46,752	47,823	543,630

NOTES TO FINANCIAL STATEMENTS

1. Organization and Summary of Significant Accounting Policies

A. Nature of Organization and Ownership

Priority Health (the Company or the Plan) is a nonprofit, nontaxable health maintenance organization owned primarily by Spectrum Health (Priority Health's 95% shareholder), as well as Munson Healthcare and Healthshare, Inc. The Plan provides coverage for medical, hospital and other health care services to its members, who are located primarily within Michigan, through contracts executed with various health care providers. Priority Health offers health coverage to commercial and Medicare subscribers as a standard health maintenance organization product or a point-of-service product.

Priority Health is the parent of Priority Health Government Programs, Inc. (PHGP), an HMO established effective October 1, 2002. Priority Health, as the sole owner and parent of PHGP, records its investment in subsidiary based on the subsidiary's underlying audited statutory equity in accordance with prescribed accounting practices and procedures. PHGP has over 63,500 Medicaid and MICHild members as of December 31, 2010.

Priority Health is the parent of Priority Health Insurance Company (PHIC), established effective September 1, 2004. Priority Health, as the sole owner and parent of PHIC, records its investment in subsidiary based on the subsidiary's underlying audited statutory equity in accordance with prescribed accounting practices and procedures. PHIC provides contracts of health insurance, including endorsements, for medical, hospital and other health care services. PHIC has over 73,400 members as of December 31, 2010.

On April 1, 2007, Priority Health purchased 100% ownership of PHMB Properties, LLC and Trinity Health Plans. PHMB Properties, LLC owns the buildings that make up the corporate headquarters of Priority Health. Trinity Health Plans holds contracts with providers, who are located primarily within Michigan. THP had no members as of December 31, 2010.

The agreements with certain participating providers call for reimbursement at various capitated rates or percentages of fees, less applicable member copayments, coinsurance or deductibles, on a current basis. The agreements provide for contingent reimbursement to participating providers based upon the results of operations within their defined risk pool. In the event the risk pool's utilization of defined measures meets, or exceeds, documented thresholds, the providers may share in the surplus, and be eligible for the return of previously withheld fees, as defined in their respective contracts. In addition, the Plan provides for a quality incentive to be paid to certain providers contingent upon achieving specified quality goals.

Priority Health's statutory-basis financial statements are prepared in accordance with accounting practices prescribed or permitted by the State of Michigan Office of Insurance and Financial Regulation (OFIR). The National Association of Insurance Commissioners (NAIC) has revised the *Accounting Practices and Procedures Manual* in a process referred to as Codification, effective on January 1, 2001. It is the intent of the NAIC to publish a new *Accounting Practices and Procedures Manual* annually. The latest version of the manual is as of March 2010.

The NAIC manual requires insurers to fully disclose and quantify any deviations from the practices and procedures adopted in the manual. HMOs must prepare their financial statements in accordance with this guidance except as modified by OFIR. There is a full adoption and application of applicable Statements of Statutory Accounting Principals (SSAPs).

B. Use of Estimates

The preparation of financial statements of HMOs requires management to make estimates and assumptions that affect amounts reported in the financial statements and

NOTES TO FINANCIAL STATEMENTS

accompanying notes. Such estimates and assumptions could change in the future as more information becomes known, which could impact the amounts reported and disclosed herein.

C. Accounting Policy

1. All short-term investments have been classified in accordance with National Association of Insurance Commissioners (NAIC) guidelines and are stated at amortized cost for financial statement disclosure.
2. Investments consist of bonds that are carried at amortized cost. The cost of bonds is adjusted for amortization of premiums and discounts to maturity using a level-yield method. Realized gains and losses are determined using the specific identification method and are included in operations. The fair value of investments is determined based upon quoted market prices.
3. Investments in Common Stocks are reported at fair market value based upon quoted market prices.
4. Preferred Stocks are Not Applicable.
5. Mortgage loans are Not Applicable.
6. Loan-backed securities as well as other asset-backed securities are held and are reported at their amortized cost.
7. The Plan uses the equity method to account for investment in and the continuing operations of its wholly owned subsidiaries, Priority Health Government Programs, Inc. and Priority Health Insurance Company, as described in SSAP 97.
8. The Plan does not have minor ownership interests in joint ventures.
9. Derivatives are not held by the Plan and therefore this disclosure is Not Applicable.
10. and 11. Under traditional arrangements, health care costs are recognized as expenses when services are rendered including, based on historical data, an estimate of costs incurred, but not reported at the balance sheet date. Under capitation arrangements, health care costs are recognized when accruable under the providers' respective agreements. Adjustments to previously rendered claims reserve estimates are reflected in the statement of operations in the period in which the estimates are revised. Such reserve adjustments consist of restatements of claims estimates and changes in margin associated with these estimates and could be material in the future. Given the nature of the health care costs and provider billing requirements, as defined by the participating providers' agreements, amounts accrued at year-end are paid predominantly in the following year.
12. The Company has not modified its capitalization policy from the prior period.

2. Accounting Changes and Correction of Errors

A. Not Applicable

B. Cumulative Effect of Changes for the Implementation of Codification

The State of Michigan has adopted the provisions of NAIC SAP reporting manual for Health Maintenance Organizations (HMO). HMOs within the State of Michigan, including Priority Health, have adopted these provisions as prescribed.

3. Business Combinations and Goodwill

A. Not Applicable

B. Not Applicable

C. Not Applicable

D. Not Applicable

NOTES TO FINANCIAL STATEMENTS

4. Discontinued Operations

The Plan has no Discontinued Operations to report.

5. Investments

- A. Mortgage Loans – Not Applicable
- B. Debt Restructuring -- Not Applicable
- C. Reverse Mortgages -- Not Applicable
- D. Loan-backed securities –
 - 1. The Company does not have securities purchased prior to January 1, 1994.
 - 2. Prepayment assumptions for loan-backed and asset-backed securities were obtained from broker dealer survey including Bloomberg and Solomon Yield Book.
 - 3. The Plan has applied retrospective adjustment methodology to these investments.
- E. Repurchase Agreements -- Not Applicable
- F. Real Estate – Not Applicable
- G. Low-Income Housing Tax Credits (LIHTC) – Not Applicable

6. Joint Ventures, Partnerships and Limited Liability Companies

The Plan has no Joint Ventures, Partnerships, or Limited Liabilities Companies to Report.

7. Investment Income

This note is Not Applicable to the Plan as no income due is past its due date and no investment income was non-admitted.

8. Derivative Instruments

This note is Not Applicable to the Plan.

9. Income Taxes

The Plan is exempt from federal income taxes as an organization described under Internal Revenue Code Section 501(c)(4). Therefore, income tax expense has not been recorded.

10. Information Concerning Parent, Subsidiaries, and Affiliates

A, B, C, D, E, F, G

The Plan has a management contract with Priority Health Managed Benefits, Inc. (PHMB), an organization related to the Plan through common ownership, to provide certain management services. The management fee incurred by the Plan was \$96,158,000 in 2010 and \$86,489,000 in 2009, respectively.

Rental payments for operating leases are being paid by Priority Health Managed Benefits, Inc., as part of the management contract.

Premium revenues recognized from related organizations were approximately \$136,834,000 and \$115,823,000 during 2010 and 2009, respectively. Health care costs approximating \$271,193,000 during 2010 and \$236,913,000 in 2009 were provided to plan members by related organizations.

Amounts due from affiliates were \$10,498,000 at December 31, 2010, and \$8,328,000 at December 31, 2009. Amounts due to affiliates are \$29,475,000 at December 31, 2010, and \$40,170,000 at December 31, 2009. Included in Amounts due to affiliates at December 31, 2009 is a \$10,000,000 long-term liability due to Spectrum Health, the Plan's parent company. At December 31, 2010, it was

NOTES TO FINANCIAL STATEMENTS

outstanding and recorded as Borrowed money.

The Company contributed capital to its subsidiary, PHIC, in the amount of \$35,500,000.

In December 2010, the Company received a dividend from its subsidiary, PHGP, in the amount of \$5,000,000.

The Company received approval from OFIR to pay interest on surplus notes in the amount of \$2,030,000 to its parent, Spectrum Health. This payment was made in April 2010.

H--None

I---Investment in SCA does not meet criteria

J -- None

11. Debt

In 2008, the Company obtained a \$10,000,000 line of credit from Spectrum Health, its parent company, which was outstanding at December 31, 2010 and 2009. The line of credit requires interest be paid in installments and matures in February 2012. This line of credit bears interest at a floating rate based on one-month LIBOR plus 85 basis points (1.27% at December 31, 2010).

12. Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans

This note is Not Applicable to the Plan.

13. Capital and Surplus, Shareholder's Dividend Restrictions, and Quasi-Reorganizations

- (1) The Plan has 10,000--Class A and 60,000--Class B authorized shares of common stock. Of these shares, 8,524 are issued and outstanding (8,000--Class A, 524--Class B).
- (2) The Plan has no preferred stock outstanding.
- (3) through (5) All stock is non-dividend bearing
- (6) There were no restrictions placed on the Plan's surplus.
- (7) The total amount of advances to surplus not repaid – Not Applicable
- (8) This is Not Applicable to the Plan.
- (9) This is Not Applicable to the Plan
- (10) The portion of unassigned funds (surplus) represented or reduced by unrealized gains and losses is \$17,110,000.

NOTES TO FINANCIAL STATEMENTS

(11) The Company issued the following surplus notes:

A, B, C, D, E, F, G, H, I, J, K, L, M							
1	2	3	4	5	6	7	8
Date Issued	Interest Rate	Par Value (Face Amount of Notes)	Carrying Value of Note	Principal And/Or Interest Paid Current Year	Total Principal And/Or Interest Paid	Unapproved Principal And/Or Interest	Date of Maturity
12/8/06	6%	\$6,000,000	\$6,000,000	\$360,000	\$720,000	\$743,671	None
12/8/06	6%	6,000,000	6,000,000	360,000	720,000	743,671	None
12/8/06	6%	6,000,000	6,000,000	360,000	720,000	743,671	None
12/8/06	6%	6,000,000	6,000,000	360,000	720,000	743,671	None
12/8/06	6%	6,000,000	6,000,000	360,000	720,000	743,671	None
12/8/06	6%	3,839,572	39,572	4,030,376	4,260,752	323,897	None
1310999 Total		\$33,839,572	\$30,039,572	\$5,830,376	\$7,860,752	\$4,042,252	

The Surplus Notes listed above were issued to Spectrum Health Corporation.

The Surplus Notes have the following repayment conditions and restrictions: Payment of interest and principal, if any, shall be paid annually from earned surplus. Repayment of such amounts will be subject to the approval of the Board of Directors of Priority Health and prior written approval by the State of Michigan’s Office of Financial and Insurance Regulation.

The Surplus Notes have the following subordination terms: The payment of principal and interest is expressly subordinated to claims of creditors and members of Priority Health and any other priority claims provided by Chapter 81 of the Insurance Code, which provides that surplus notes are at the eighth level of priority.

The liquidation preferences to the insurer’s shareholders are as follows: If Priority Health is dissolved and there are insufficient assets to pay in full the principal amount of and interest on all outstanding surplus notes, then Priority Health shall pay on all surplus notes pro rata on the basis of the outstanding principal amount of each surplus note and the interest accrued thereon. Regardless of the issuance date of these Surplus Notes or any other surplus note of Priority Health, these Surplus Notes shall be of equal rank with any other surplus note or series of surplus notes.

N. This is Not Applicable to the Plan

(12) This is Not Applicable to the Plan

(13) This is Not Applicable to the Plan

14. Contingencies

- A. The Plan has committed to its wholly owned subsidiaries, Priority Health Insurance Company, Inc. and Priority Health Government Programs, to provide additional capital as needed in order for this subsidiary to meet capital requirements as mandated by the regulating authority.
- B. Assessments are Not Applicable.

NOTES TO FINANCIAL STATEMENTS

- C. Gain Contingencies are Not Applicable.
- D. Claims related extra contractual obligation and bad faith losses stemming from lawsuits are Not Applicable.
- E. All Other Contingencies are Not Applicable.

15. Leases

A. Lessee Operating Lease

This note is Not Applicable to the Plan.

B. Lessor Leases

This note is Not Applicable to the Plan.

16. Information About Financial Instruments With Off-Balance Sheet Risk and Financial Instruments With Concentrations of Credit Risk

This note is Not Applicable to the Plan.

17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

This note is Not Applicable to the Plan.

18. Gain or Loss to the Reporting Entity from Uninsured A&H Plans and the Uninsured Portion of Partially Insured Plans

The Company receives funds from the Center for Medicare & Medicaid Services (CMS) for its stand alone Medicare Advantage product (MAPD) that includes both an insured and uninsured payment mechanism. The uninsured payment includes reimbursements for a portion of claims above a catastrophic threshold and for all or a portion of the deductible, the coinsurance and the co-payment amounts for low-income beneficiaries. The uninsured payment from CMS is received monthly based on a predetermined per member per month amount with an annual settlement occurring in the following year. The Company reported a net payable for amounts held under uninsured plans of \$3,198,000 and \$2,669,000 at December 31, 2010 and 2009, respectively. Cash receipts for uninsured plans were \$8,881,000 and \$2,272,000 for 2010 and 2009, respectively.

19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators

This note is Not Applicable to the Plan.

20. Fair Value Measurements

The Company's financial assets and liabilities carried at fair value have been classified, for disclosure purposes, based on a hierarchy defined by Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (now codified under FASB Accounting Standards Codification 820, *Fair Value Measurements and Disclosures*). The hierarchy gives the highest ranking to fair values determined using unadjusted quoting prices in active markets for identical assets and liabilities (Level 1) and the lowers ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). An asset's or a liability's classification is based on the lowest level input that is significant to its measurement. For example, a Level 3 fair value measurement may include inputs that are both observable (Levels 1 and 2) and unobservable (Level 3). The levels of the fair value hierarchy are as follows:

Level 1: Financial instruments with unadjusted, quoted prices listed on active

NOTES TO FINANCIAL STATEMENTS

market exchanges.

Level 2: Financial instruments lacking unadjusted, quoted prices from active market exchanges, including over-the-counter traded financial instruments. The prices for the financial instruments are determined using prices for recently traded financial instruments with similar underlying terms as well as directly or indirectly observable inputs, such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3: Financial instruments that are not actively traded on a market exchange. This category includes situations where there is little, if any, market activity for the financial instrument. The prices are determined using significant unobservable inputs or valuation techniques.

The following table summarizes the valuation of the Company’s financial instruments by the above pricing categories:

	Quoted Prices In Active Markets (Level 1)		Prices With Other Observable Inputs (Level 2)		Prices With Unobservable Inputs (Level 3)	
	Total					
	(In Thousands)					
December 31, 2010						
Common stock	\$	51,296	\$	51,296	\$	-
	\$	51,296	\$	51,296	\$	-
December 31, 2009						
Common stock	\$	44,704	\$	44,704	\$	-
	\$	44,704	\$	44,704	\$	-

21. Other Items

The Plan does not have Extraordinary Items, Troubled Debt Restructuring, or other items indicated as a requirement for disclosure.

22. Events Subsequent

There are no subsequent events to report for the Company.

23. Reinsurance

- A. Not Applicable
- B. Not Applicable
- C. None

24. Retrospectively Rated Contracts & Contracts Subject to Redetermination

- A. Written premiums for the Company’s Medicare Advantage product are subject to retrospective adjustments. The Company estimates accrued retrospective premiums based on a risk corridor calculation as defined by the CMS. The Plan also estimates accrued retrospective premium adjustments for its group health insurance business based on the financial experience of the policyholder with a charge for administrative expenses.
- B. The Plan records accrued retrospective premium as an adjustment of earned premium.
- C. The amount of net premiums written by the Plan at December 31, 2010, that are subject to retrospective rating features was \$491,158,000, that represent 29.7% of the total net premiums written for group health. No other net premiums written by the Plan are subject to retrospective rating features.

25. Change in Incurred Claims and Claim Adjustment Expenses

NOTES TO FINANCIAL STATEMENTS

Adjustments to previously rendered claims reserve estimates are reflected in the statement of operations in the period in which the estimates are revised. Such reserve adjustments consist of restatements of claim estimates and release of any margin associated with these estimates. Reserve adjustments were unfavorable by approximately \$4.9 million in 2010, increasing the prior year-end claim reserve estimates of \$100.9 million to \$105.8 million.

26. Intercompany Pooling Arrangements

This note is Not Applicable to the Plan.

27. Structured Settlements

This note is Not Applicable to the Plan.

28. Health Care Receivables

A. Pharmacy rebates as of the end of each quarter for the three years ended December 31, 2010, 2009 and 2008 are as follows:

			Pharmacy rebates as Invoiced/ Confirmed within 60 days period end	Actual Rebates collected within 90 days of invoicing	Actual Rebates collected within 91 to 180 days of invoicing	Actual Rebates collected beyond 180 days of invoicing
12/31/2010	\$	5,820,415	\$ 4,361,785	\$ -	\$ -	\$ -
9/30/2010	\$	5,587,082	\$ 4,207,290	\$ 2,559,894	\$ -	\$ -
6/30/2010	\$	5,996,519	\$ 4,159,094	\$ 3,614,919	\$ 581,294	\$ -
3/31/2010	\$	6,162,000	\$ 4,112,813	\$ 3,295,798	\$ 34,393	\$ 18,089
12/31/2009	\$	5,374,008	\$ 4,084,831	\$ 3,638,768	\$ 529,138	\$ 31,672
9/30/2009	\$	5,002,560	\$ 4,100,103	\$ 3,702,079	\$ 359,170	\$ 34,255
6/30/2009	\$	4,775,907	\$ 3,978,075	\$ 3,459,200	\$ 479,365	\$ 34,210
3/31/2009	\$	2,019,089	\$ 3,939,320	\$ 3,323,892	\$ 5,094	\$ 12,960
12/31/2008	\$	4,590,288	\$ 3,602,309	\$ 3,167,648	\$ 342,478	\$ 32,413
9/30/2008	\$	4,003,417	\$ 3,653,233	\$ 3,415,458	\$ 247,872	\$ 63,248
6/30/2008	\$	3,979,285	\$ 3,418,133	\$ 3,007,400	\$ 288,837	\$ 84,325
3/31/2008	\$	4,209,000	\$ 3,421,599	\$ 2,768,023	\$ 402,663	\$ 75,253

B. This note is Not Applicable to the Plan.

29. Participating Policies

This note is Not Applicable to the Plan.

30. Premium Deficiency Reserves

The Plan recorded no premium deficiency reserve in the 2010 and 2009 financial statements.

31. Anticipated Salvage and Subrogation

The Plan does not estimate anticipated salvage and subrogation nor reduce any amount from its liability for unpaid claims or losses.

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

- 1.1

Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer?

Yes [X] No []
- 1.2

If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations?

Yes [X] No [] NA []
- 1.3

State Regulating?

Michigan
- 2.1

Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?

Yes [] No [X]
- 2.2

If yes, date of change:
- 3.1

State as of what date the latest financial examination of the reporting entity was made or is being made.

12/31/2009
- 3.2

State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.

12/31/2006
- 3.3

State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).

05/26/2008
- 3.4

By what department or departments?

State of Michigan Office of Financial and Insurance Regulation
- 3.5

Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with Departments?

Yes [] No [] NA [X]
- 3.6

Have all of the recommendations within the latest financial examination report been complied with?

Yes [] No [] NA [X]
- 4.1

During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.11

sales of new business?

Yes [] No [X]
- 4.12

renewals?

Yes [] No [X]
- 4.2

During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.21

sales of new business?

Yes [] No [X]
- 4.22

renewals?

Yes [] No [X]
- 5.1

Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes [] No [X]
- 5.2

If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Company Code	3 State of Domicile

- 6.1

Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period?

Yes [] No [X]
- 6.2

If yes, give full information
- 7.1

Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity?

Yes [] No [X]
- 7.2

If yes,
- 7.21

State the percentage of foreign control
- 7.22

State the nationality(s) of the foreign person(s) or entity(s); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney - in - fact and identify the type of entity(s) (e.g., individual, corporation, government, manager or attorney - in - fact).

1 Nationality	2 Type of Entity

GENERAL INTERROGATORIES

- 8.1

Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board?

Yes [] No [X]
- 8.2

If response to 8.1 is yes, please identify the name of the bank holding company.
- 8.3

Is the company affiliated with one or more banks, thrifts or securities firms?.....

Yes [] No [X]
- 8.4

If response to 8.3 is yes, please provide the names and locations (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

1	2	3	4	5	6	7
Affiliate Name	Location (City, State)	FRB	OCC	OTS	FDIC	SEC

9.

What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
Ernst & Young LLP, 171 Monroe Ave., Grand Rapids, MI 49503
- 10.1

Has the insurer been granted any exemptions to the prohibited non-audit services provided by the certified independent public accountant requirements as allowed in Section 7H of the Annual Financial Reporting Model Regulation (Model Audit Rule), or substantially similar state law or regulation?.....

Yes [] No [X]
- 10.2

If the response to 10.1 is yes, provide information related to this exemption:
- 10.3

Has the insurer been granted any exemptions to the audit committee requirements as allowed in Section 14H of the Annual Financial Reporting Model Regulation, or substantially similar state law or regulation?.....

Yes [] No [X]
- 10.4

If the response to 10.3 is yes, provide information related to this exemption:
- 10.5

Has the insurer been granted any exemptions related to the other requirements of the Annual Financial Reporting Model Regulation as allowed for in Section 17A of the Model Regulation, or substantially similar state law or regulation?.....

Yes [] No [X]
- 10.6

If the response to 10.5 is yes, provide information related to this exemption:
- 10.7

Has the reporting entity established an Audit Committee in compliance with the domiciliary state insurance laws?.....

Yes [X] No [] NA []
- 10.8

If the response to 10.7 is no or n/a, please explain
11.

What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?.....
Ernst & Young LLP, Insurance & Actuarial Advisory Services, 5 Times Square, New York, NY 10036
- 12.1

Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly?

Yes [X] No []
- 12.11

Name of real estate holding company

PHMB Properties, LLC.....
- 12.12

Number of parcels involved.....

1
- 12.13

Total book/adjusted carrying value.....

\$.....1
- 12.2

If yes, provide explanation
Occupied building owned by a wholly-owned subsidiary, PHMB Properties, LLC
13.

FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:
- 13.1

What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?
n/a
- 13.2

Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located?

Yes [] No []
- 13.3

Have there been any changes made to any of the trust indentures during the year?

Yes [] No []
- 13.4

If answer to (13.3) is yes, has the domiciliary or entry state approved the changes?

Yes [] No [] NA []
- 14.1

Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards?

Yes [X] No []
- 14.1

Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- 14.1

Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
- 14.1

Compliance with applicable governmental laws, rules and regulations;
- 14.1

The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
- 14.1

Accountability for adherence to the code.
- 14.11

If the response to 14.1 is no, please explain:
- 14.2

Has the code of ethics for senior managers been amended?.....

Yes [] No [X]
- 14.21

If the response to 14.2 is yes, provide information related to amendment(s).
- 14.3

Have any provisions of the code of ethics been waived for any of the specified officers?.....

Yes [] No [X]
- 14.31

If the response to 14.3 is yes, provide the nature of any waiver(s).

BOARD OF DIRECTORS

15.

Is the purchase or sale of all investments of the reporting entity passed upon either by the board of directors or a subordinate committee thereof?

Yes [X] No []
16.

Does the reporting entity keep a complete permanent record of the proceedings of its board of directors and all subordinate committees thereof?

Yes [X] No []
17.

Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict or is likely to conflict with the official duties of such person?.....

Yes [X] No []

GENERAL INTERROGATORIES
FINANCIAL

18. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)?

Yes [] No [X]

19.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):

19.11 To directors or other officers

\$0

19.12 To stockholders not officers

\$0

19.13 Trustees, supreme or grand (Fraternal only)

\$0

19.2 Total amount of loans outstanding at end of year (inclusive of Separate Accounts, exclusive of policy loans):

19.21 To directors or other officers

\$0

19.22 To stockholders not officers

\$0

19.23 Trustees, supreme or grand (Fraternal only)

\$0

20.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement?

Yes [] No [X]

20.2 If yes, state the amount thereof at December 31 of the current year:

20.21 Rented from others

\$0

20.22 Borrowed from others

\$0

20.23 Leased from others

\$0

20.24 Other

\$0

21.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments?

Yes [] No [X]

21.2 If answer is yes:

21.21 Amount paid as losses or risk adjustment

\$0

21.22 Amount paid as expenses

\$0

21.23 Other amounts paid

\$0

22.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement?

Yes [X] No []

22.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount:

\$7,009,180

INVESTMENT

23.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date? (other than securities lending programs addressed in 23.3).

Yes [] No [X]

23.2 If no, give full and complete information, relating thereto

Priority Health had exclusive control over the securities, however, a third party, Mellon Bank, had actual possession of the securities.

23.3 For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet. (an alternative is to reference Note 17 where this information is also provided)

N/A

23.4 Does the company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions?

Yes [] No [] NA [X]

23.5 If answer to 23.4 is yes, report amount of collateral for conforming programs.

\$

23.6 If answer to 23.4 is no, report amount of collateral for other programs.

\$

23.7 Does the company's security lending program require 102% (domestic securities) and 105% (foreign securities) from the counterparty at the outset of the contract?

Yes [] No [] NA [X]

23.8 Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%?

Yes [] No [] NA [X]

23.9 Does the reporting entity or the reporting entity's securities lending agent utilize the Master Securities Lending Agreement (MSLA) to conduct securities lending?

Yes [] No [] NA [X]

24.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 20.1 and 23.3)

Yes [X] No []

24.2 If yes, state the amount thereof at December 31 of the current year:

24.21 Subject to repurchase agreements

\$0

24.22 Subject to reverse repurchase agreements

\$0

24.23 Subject to dollar repurchase agreements

\$0

24.24 Subject to reverse dollar repurchase agreements

\$0

24.25 Pledged as collateral

\$0

24.26 Placed under option agreements

\$0

24.27 Letter stock or securities restricted as to sale

\$0

24.28 On deposit with state or other regulatory body

\$1,117,257

24.29 Other

\$0

24.3 For category (24.27) provide the following:

1 Nature of Restriction	2 Description	3 Amount

25.1 Does the reporting entity have any hedging transactions reported on Schedule DB?

Yes [] No [X]

25.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state?

Yes [] No [] NA [X]

If no, attach a description with this statement.

26.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity?

Yes [] No [X]

26.2 If yes, state the amount thereof at December 31 of the current year.

\$0

GENERAL INTERROGATORIES

27. Excluding items in Schedule E-Part 3-Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 1, III – General Examination Considerations, F. Outsourcing of Critical Functions, Custodial or Safekeeping agreements of the NAIC *Financial Condition Examiners Handbook*? Yes [X] No []

27.01 For agreements that comply with the requirements of the NAIC *Financial Condition Examiners Handbook*, complete the following:

<div>1</div> <div>Name of Custodian(s)</div>	<div>2</div> <div>Custodian's Address</div>
Fifth Third Bank.....	Grand Rapids, MI.....
Huntington National Bank.....	Grand Rapids, MI.....
Mellon Trust.....	Pittsburgh, PA.....

27.02 For all agreements that do not comply with the requirements of the NAIC *Financial Condition Examiners Handbook*, provide the name, location and a complete explanation:

<div>1</div> <div>Name(s)</div>	<div>2</div> <div>Location(s)</div>	<div>3</div> <div>Complete Explanation(s)</div>
.....

27.03 Have there been any changes, including name changes, in the custodian(s) identified in 27.01 during the current year? Yes [] No [X]

27.04 If yes, give full and complete information relating thereto:

<div>1</div> <div>Old Custodian</div>	<div>2</div> <div>New Custodian</div>	<div>3</div> <div>Date of Change</div>	<div>4</div> <div>Reason</div>
.....

27.05 Identify all investment advisors, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

<div>1</div> <div>Central Registration Depository Number(s)</div>	<div>2</div> <div>Name</div>	<div>3</div> <div>Address</div>
N/A.....	Prime Investments.....	Bloomfield, CT.....

28.1 Does the reporting entity have any diversified mutual funds reported in Schedule D - Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5 (b) (1)])?..... Yes [X] No []

28.2 If yes, complete the following schedule:

<div>1</div> <div>CUSIP #</div>	<div>2</div> <div>Name of Mutual Fund</div>	<div>3</div> <div>Book/Adjusted Carrying Value</div>
28.2001. 693390-70-0.....	PIMCO FDS Total Return - Inst.....	12,723,147
28.2002. 921909-82-6.....	Vanguard Developed Markets Index Fund.....	8,843,057
28.2003. 922040-10-0.....	Vanguard Instl Index Fund.....	18,739,294
28.2004. 922908-87-6.....	Vanguard Small Cap Index Fund.....	10,990,562
28.2999 TOTAL		51,296,060

28.3 For each mutual fund listed in the table above, complete the following schedule:

<div>1</div> <div>Name of Mutual Fund (from above table)</div>	<div>2</div> <div>Name of Significant Holding of the Mutual Fund</div>	<div>3</div> <div>Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding</div>	<div>4</div> <div>Date of Valuation</div>
PIMCO FDS Total Return - Inst.....	F.I.N.E.U.T EURO\$ CME 03/14/11.....	6,873,492	12/31/2010.....
Vanguard Developed Markets Index Fund.....	BHP.Billiton.....	176,861	12/31/2010.....
Vanguard Instl Index Fund.....	Exxon Mobil Corp.....	580,918	12/31/2010.....
Vanguard Small Cap Index Fund.....	Valeant Pharmaceuticals International.....	32,972	12/31/2010.....

GENERAL INTERROGATORIES

29. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

	1	2	3
	Statement (Admitted) Value	Fair Value	Excess of Statement over Fair Value (-) or Fair Value over Statement (+)
29.1 Bonds.....	298,781,818	303,904,096	5,122,278
29.2 Preferred Stocks.....	0	0	0
29.3 Totals	298,781,818	303,904,096	5,122,278

29.4 Describe the sources or methods utilized in determining the fair values:

Pricing services and brokers.....

30.1 Was the rate used to calculate fair value determined by a broker or custodian for any of the securities in Schedule D?..... Yes [X] No []

30.2 If the answer to 30.1 is yes, does the reporting entity have a copy of the broker's or custodian's pricing policy (hard copy or electronic copy) for all brokers or custodians used as a pricing source?..... Yes [X] No []

30.3 If the answer to 30.2 is no, describe the reporting entity's process for determining a reliable pricing source for purposes of disclosure of fair value for Schedule D:

31.1 Have all the filing requirements of the *Purposes and Procedures Manual* of the NAIC Securities Valuation Office been followed? Yes [X] No []

31.2 If no, list exceptions:

OTHER

32.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any?.....\$181,643

32.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to trade associations, service organizations and statistical or rating bureaus during the period covered by this statement.

1	2
Name	Amount Paid
Alliance of Community Health Plans.....	149,343

33.1 Amount of payments for legal expenses, if any?.....\$456,607

33.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1	2
Name	Amount Paid
Warner Norcross.....	150,584

34.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any?.....\$76,727

34.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

1	2
Name	Amount Paid
Warner Norcross.....	51,032

GENERAL INTERROGATORIES

PART 2 - HEALTH INTERROGATORIES

1.1

Does the reporting entity have any direct Medicare Supplement Insurance in force?

Yes [X] No []

1.2

If yes, indicate premium earned on U. S. business only.

\$ 530,302

1.3

What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit?

\$ 0

1.31

Reason for excluding

1.4

Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above

\$ 0

1.5

Indicate total incurred claims on all Medicare Supplement insurance.

\$ 345,448

1.6

Individual policies:

Most current three years:

1.61

Total premium earned

\$ 530,302

1.62

Total incurred claims

\$ 345,448

1.63

Number of covered lives

547

All years prior to most current three years:

1.64

Total premium earned

\$ 0

1.65

Total incurred claims

\$ 0

1.66

Number of covered lives

0

1.7

Group policies:

Most current three years:

1.71

Total premium earned

\$ 0

1.72

Total incurred claims

\$ 0

1.73

Number of covered lives

0

All years prior to most current three years:

1.74

Total premium earned

\$ 0

1.75

Total incurred claims

\$ 0

1.76

Number of covered lives

0

2.

Health Test:

1

Current Year

2

Prior Year

2.1

Premium Numerator

\$ 1,653,567,234

2.2

Premium Denominator

\$ 1,653,567,234

2.3

Premium Ratio (2.1/2.2)

1.000

2.4

Reserve Numerator

\$ 156,067,657

2.5

Reserve Denominator

\$ 121,908,934

2.6

Reserve Ratio (2.4/2.5)

1.000

1,323,382,746

1,323,382,746

1.000

115,688,194

0.949

3.1

Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits?

Yes [] No [X]

3.2

If yes, give particulars:

4.1

Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and dependents been filed with the appropriate regulatory agency?

Yes [X] No []

4.2

If not previously filed, furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered?

Yes [] No [X]

5.1

Does the reporting entity have stop-loss reinsurance?

Yes [X] No []

5.2

If no, explain:

5.3

Maximum retained risk (see instructions)

5.31

Comprehensive Medical

\$ 2,000,000

5.32

Medical Only

\$ 2,000,000

5.33

Medicare Supplement

\$ 0

5.34

Dental and Vision

\$ 0

5.35

Other Limited Benefit Plan

\$ 0

5.36

Other

\$ 0

6.

Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:

HMO holds harmless provisions of provider contracts, trust indentures.

7.1

Does the reporting entity set up its claim liability for provider services on a service date basis?

Yes [X] No []

7.2

If no, give details

8.

Provide the following information regarding participating providers:

8.1

Number of providers at start of reporting year

10,365

8.2

Number of providers at end of reporting year

11,207

9.1

Does the reporting entity have business subject to premium rate guarantees?

Yes [] No [X]

9.2

If yes, direct premium earned:

9.21

Business with rate guarantees between 15-36 months

9.22

Business with rate guarantees over 36 months

27

GENERAL INTERROGATORIES

PART 2 - HEALTH INTERROGATORIES

10.1

Does the reporting entity have Incentive Pool, Withhold or Bonus Arrangements in its provider contracts?.....

Yes [X] No []

10.2

If yes:

10.21

Maximum amount payable bonuses

\$.....23,153,578

10.22

Amount actually paid for year bonuses

\$.....14,221,730

10.23

Maximum amount payable withholds

\$.....2,661,656

10.24

Amount actually paid for year withholds

\$.....1,021,486

11.1

Is the reporting entity organized as:

11.12

A Medical Group/Staff Model,

Yes [] No [X]

11.13

An Individual Practice Association (IPA), or,

Yes [X] No []

11.14

A Mixed Model (combination of above) ?.....

Yes [] No [X]

11.2

Is the reporting entity subject to Minimum Net Worth Requirements?

Yes [X] No []

11.3

If yes, show the name of the state requiring such net worth.

Michigan

11.4

If yes, show the amount required.

\$.....148,201,540

11.5

Is this amount included as part of a contingency reserve in stockholder's equity?

Yes [X] No []

11.6

If the amount is calculated, show the calculation

200% ACL

12.

List service areas in which reporting entity is licensed to operate:

GENERAL INTERROGATORIES

PART 2 - HEALTH INTERROGATORIES

1
Name of Service Area
Alcona.....
Allegan.....
Alpena.....
Antrim.....
Arenac.....
Barry.....
Bay.....
Benzie.....
Berrien.....
Branch.....
Calhoun.....
Cass.....
Charlevoix.....
Cheboygan.....
Clare.....
Clinton.....
Crawford.....
Eaton.....
Emmet.....
Genesee.....
Gladwin.....
Grand Traverse.....
Gratiot.....
Hillsdale.....
Huron.....
Ingham.....
Ionia.....
Iosco.....
Isabella.....
Jackson.....
Kalamazoo.....
Kalkaska.....
Kent.....
Lake.....
Lapeer.....
Leelanau.....
Lenawee.....
Livingston.....
Mackinac.....
Macomb.....
Manistee.....
Mason.....
Mecosta.....
Midland.....
Missaukee.....
Monroe.....
Montcalm.....
Montmorency.....
Muskegon.....
Newaygo.....
Oakland.....
Oceana.....
Ogemaw.....
Osceola.....
Oscoda.....
Otsego.....
Ottawa.....
Presque Isle.....
Roscommon.....
Saginaw.....
St. Clair.....
St. Joseph.....
Sanilac.....
Shiawassee.....
Tuscola.....
Van Buren.....
Washtenaw.....
Wayne.....
Wexford.....

- 13.1 Do you act as a custodian for health savings accounts?..... Yes [] No [X]
- 13.2 If yes, please provide the amount of custodial funds held as of the reporting date..... \$
- 13.3 Do you act as an administrator for health savings accounts?..... Yes [] No [X]
- 13.4 If yes, please provide the balance of the funds administered as of the reporting date..... \$

FIVE-YEAR HISTORICAL DATA

	1 2010	2 2009	3 2008	4 2007	5 2006
Balance Sheet (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 28)	425,237,310	426,475,619	402,716,594	391,849,475	369,967,052
2. Total liabilities (Page 3, Line 24)	221,117,404	191,569,323	181,595,131	176,400,518	163,281,628
3. Statutory surplus	148,201,540	113,531,651	98,758,074	106,095,948	92,707,869
4. Total capital and surplus (Page 3, Line 33)	204,119,906	234,906,296	221,121,463	215,448,957	206,685,424
Income Statement (Page 4)					
5. Total revenues (Line 8)	1,654,191,556	1,324,363,176	1,257,539,960	1,375,716,353	1,389,354,926
6. Total medical and hospital expenses (Line 18)	1,534,430,448	1,203,496,546	1,137,500,253	1,239,492,757	1,247,172,675
7. Claims adjustment expenses (Line 20)	43,679,933	40,289,583	18,306,305	19,352,418	18,797,278
8. Total administrative expenses (Line 21)	99,978,445	83,704,937	103,735,730	109,663,706	115,421,244
9. Net underwriting gain (loss) (Line 24)	(23,897,270)	(3,127,890)	(2,002,328)	9,483,472	5,687,729
10. Net investment gain (loss) (Line 27)	13,708,263	18,039,943	14,002,506	16,892,008	16,919,846
11. Total other income (Lines 28 plus 29)	3,026,820	2,909,532	1,056,129	(779,278)	1,582,685
12. Net income or (loss) (Line 32)	(7,162,187)	17,821,585	13,056,307	25,596,202	24,190,260
Cash Flow (Page 6)					
13. Net cash from operations (Line 11)	15,295,702	7,792,615	25,176,253	32,004,393	6,536,618
Risk - Based Capital Analysis					
14. Total adjusted capital	204,119,906	234,906,296	221,121,463	215,448,957	206,685,424
15. Authorized control level risk-based capital	74,100,770	56,765,826	49,384,434	53,047,974	51,455,154
Enrollment (Exhibit 1)					
16. Total members at end of period (Column 5, Line 7)	432,079	380,816	359,715	398,183	436,357
17. Total members months (Column 6, Line 7)	5,055,349	4,408,636	4,301,204	4,871,980	5,341,367
Operating Percentage (Page 4)					
(Item divided by Page 4, sum of Lines 2, 3 and 5) x 100.0					
18. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5)	100.0	100.0	100.0	100.0	100.0
19. Total hospital and medical plus other non-health (Lines 18 plus Line 19)	92.8	90.9	90.5	90.1	89.8
20. Cost containment expenses	1.2	0.5	0.1	0.1	xxx
21. Other claims adjustment expenses	1.5	2.5	1.3	1.3	1.2
22. Total underwriting deductions (Line 23)	101.5	100.3	100.2	99.3	99.6
23. Total underwriting gain (loss) (Line 24)	(1.4)	(0.2)	(0.2)	0.7	0.4
Unpaid Claims Analysis					
(U&I Exhibit, Part 2B)					
24. Total claims incurred for prior years (Line 13, Col. 5)	121,653,990	113,703,698	113,208,202	114,724,989	134,540,186
25. Estimated liability of unpaid claims—[prior year (Line 13, Col. 6)]	115,688,194	126,506,033	113,227,153	118,738,198	141,221,419
Investments In Parent, Subsidiaries and Affiliates					
26. Affiliated bonds (Sch. D Summary, Line 12, Col. 1)	0	0	0	0	0
27. Affiliated preferred stocks (Sch. D Summary, Line 18, Col. 1)	0	0	0	0	0
28. Affiliated common stocks (Sch. D Summary, Line 24, Col. 1)	46,388,714	32,822,113	28,908,394	21,874,578	18,804,236
29. Affiliated short-term investments (subtotal included in Sch. DA Verification, C05, Line 10)	0	0	0	0	0
30. Affiliated mortgage loans on real estate		0	0	0	0
31. All other affiliated		0	0	0	0
32. Total of above Lines 26 to 31	46,388,714	32,822,113	28,908,394	21,874,578	18,804,236

NOTE: If a party to a merger, have the two most recent years of this exhibit been restated due to a merger in compliance with the disclosure requirements of SSAP No. 3, Accounting Changes and Correction of Errors?

Yes [] No []

If no, please explain

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories

		1	Direct Business Only							
			2	3	4	5	6	7	8	9
States, Etc.		Active Status	Accident & Health Premiums	Medicare Title XVIII	Medicaid Title XIX	Federal Employees Health Benefit Program Premiums	Life & Annuity Premiums & Other Considerations	Property/ Casualty Premiums	Total Columns 2 Through 7	Deposit-Type Contracts
1. Alabama	AL	N							0	0
2. Alaska	AK	N							0	0
3. Arizona	AZ	N							0	0
4. Arkansas	AR	N							0	0
5. California	CA	N							0	0
6. Colorado	CO	N							0	0
7. Connecticut	CT	N							0	0
8. Delaware	DE	N							0	0
9. Dist. of Columbia	DC	N							0	0
10. Florida	FL	N							0	0
11. Georgia	GA	N							0	0
12. Hawaii	HI	N							0	0
13. Idaho	ID	N							0	0
14. Illinois	IL	N							0	0
15. Indiana	IN	N							0	0
16. Iowa	IA	N							0	0
17. Kansas	KS	N							0	0
18. Kentucky	KY	N							0	0
19. Louisiana	LA	N							0	0
20. Maine	ME	N							0	0
21. Maryland	MD	N							0	0
22. Massachusetts	MA	N							0	0
23. Michigan	MI	L	1,278,602,498	376,610,092					1,655,212,590	0
24. Minnesota	MN	N							0	0
25. Mississippi	MS	N							0	0
26. Missouri	MO	N							0	0
27. Montana	MT	N							0	0
28. Nebraska	NE	N							0	0
29. Nevada	NV	N							0	0
30. New Hampshire	NH	N							0	0
31. New Jersey	NJ	N							0	0
32. New Mexico	NM	N							0	0
33. New York	NY	N							0	0
34. North Carolina	NC	N							0	0
35. North Dakota	ND	N							0	0
36. Ohio	OH	N							0	0
37. Oklahoma	OK	N							0	0
38. Oregon	OR	N							0	0
39. Pennsylvania	PA	N							0	0
40. Rhode Island	RI	N							0	0
41. South Carolina	SC	N							0	0
42. South Dakota	SD	N							0	0
43. Tennessee	TN	N							0	0
44. Texas	TX	N							0	0
45. Utah	UT	N							0	0
46. Vermont	VT	N							0	0
47. Virginia	VA	N							0	0
48. Washington	WA	N							0	0
49. West Virginia	WV	N							0	0
50. Wisconsin	WI	N							0	0
51. Wyoming	WY	N							0	0
52. American Samoa	AS	N							0	0
53. Guam	GU	N							0	0
54. Puerto Rico	PR	N							0	0
55. U.S. Virgin Islands	VI	N							0	0
56. Northern Mariana Islands	MP	N							0	0
57. Canada	CN	N							0	0
58. Aggregate other alien	OT	XXX	0	0	0	0	0	0	0	0
59. Subtotal	XXX		1,278,602,498	376,610,092	0	0	0	0	1,655,212,590	0
60. Reporting entity contributions for Employee Benefit Plans	XXX								0	
61. Total (Direct Business)	(a)	1	1,278,602,498	376,610,092	0	0	0	0	1,655,212,590	0
DETAILS OF WRITE-INS										
5801.	XXX									
5802.	XXX									
5803.	XXX									
5898. Summary of remaining write-ins for Line 58 from overflow page	XXX		0	0	0	0	0	0	0	
5899. Totals (Lines 5801 through 5803 plus 5898) (Line 58 above)	XXX		0	0	0	0	0	0	0	

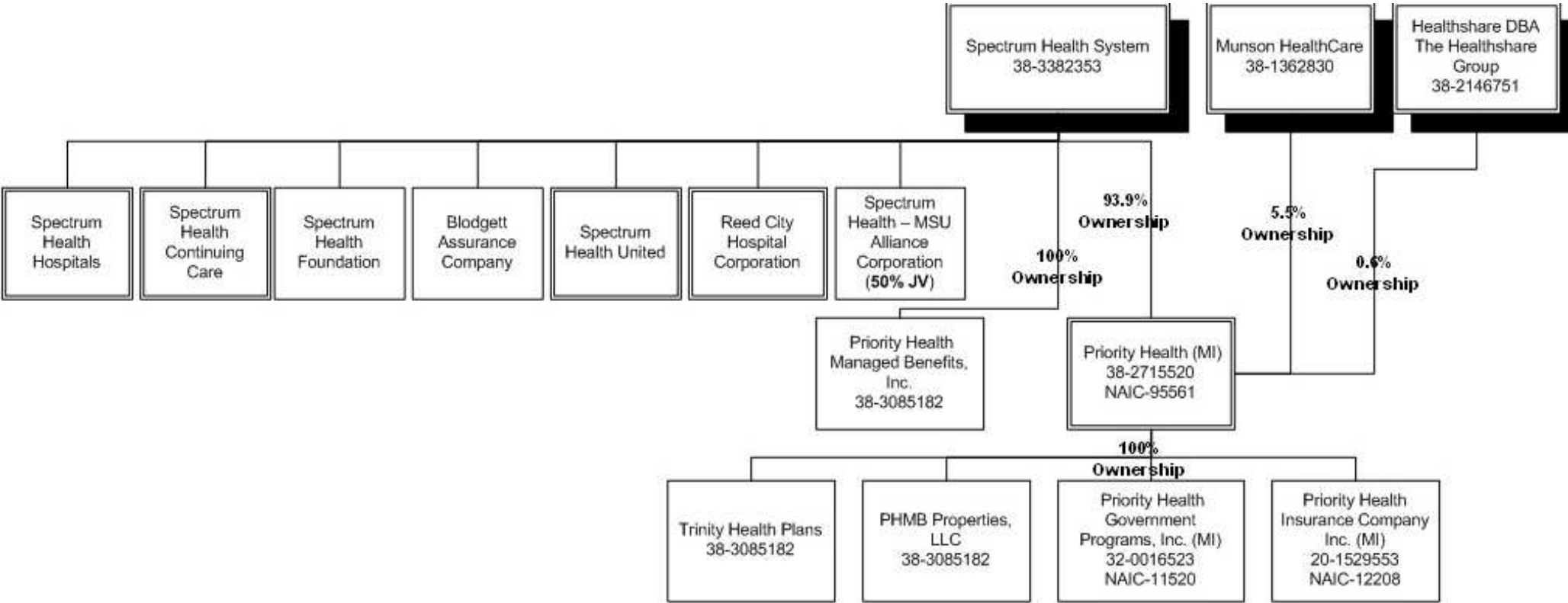
(L) Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) Registered - Non-domiciled RRGs; (Q) Qualified - Qualified or Accredited Reinsurer; (E) Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) None of the above - Not allowed to write business in the state.

Explanation of basis of allocation by states, premiums by state, etc.

(a) Insert the number of L responses except for Canada and other Alien.

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART



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